

Second Party Opinion

Columbus Metropolitan Housing Authority's Series 2021A And B Revenue Bonds

Nov. 4, 2021

Columbus Metropolitan Housing Authority (CMHA) is a public housing authority that provides affordable housing to residents in Columbus, Ohio. Established in 1934 by the Ohio State Board of Housing to cater to the housing needs of low-income residents in the area, CMHA endeavors toward easy access to essential social services and works with partner organizations to enable economic empowerment, educational advancement, health and wellness, and leadership development among residents of its projects.

While CMHA is not a government organization, it operates under a five-member Board of Authority (Board); members are nominated by the mayor, courts, and county commissioners. The Board oversees and ensures that the social objectives of the authority are carried out efficiently.

We expect the Series 2021A and B bond proceeds to total about \$27.7 million and be used to finance a portion of the cost of constructing and equipping the Sinclair Family Apartments Project, an affordable housing project that will cater to the housing needs of families earning up to 80% of the area median income (AMI) in Franklin County, Ohio. The bonds are scheduled to mature in 2041.

PRIMARY ANALYST

Alán Bonilla

San Francisco, California
+1 (415) 371 5021
alan.bonilla
@spglobal.com

RESEARCH CONTRIBUTOR

Debadrita Mukherjee

Gurgaon, India

In our view, CMHA's social bond transaction, published on Nov. 4, 2021, aligns with:

- ✓ Social Bond Principles (SBP), International Capital Market Association (ICMA), 2021

Issuer's Sustainability Objectives

As a public housing authority, CMHA's operations align with the City of Columbus' goal of doubling the number of affordable housing units in the city, catering to the growing need for affordable housing in the region. CMHA's goals for the next four years include:

- Increasing availability of decent, safe, and affordable housing;
- Promoting self-sufficiency and asset development of families and individuals;
- Improving community quality of life and economic vitality; and
- Ensuring equal opportunity and fair housing.

CMHA is partnering with The NRP group for the Sinclair Family Apartments Project to provide affordable housing to low-income families in Franklin County, Ohio. This public-private partnership project will consist of 180 units and is targeted for completion in 2022. The project will also offer residents supportive services for better access to health care, education, and employment.

Second Party Opinion Summary


Use of proceeds

Alignment  CHMA's social bond transaction aligns with this component of the SBP.

Score Not aligned Satisfactory **Strong** Advanced

The proceeds from the 2021A and 2021B bond issuances will be exclusively used to finance a portion of the Sinclair Family Apartments Project, which fits into the SBP's category of affordable housing.

Process for project evaluation and selection

Alignment  CHMA's social bond transaction aligns with this component of the SBP.

Score Not aligned Satisfactory **Strong** Advanced


CMHA clearly communicates its process for project evaluation and selection. As a federally funded public housing authority, CMHA has an evaluation and selection process that complies with the statutory and regulatory requirements of the U.S. Department of Housing and Urban Development (HUD). The process includes identifying environmental risks and social considerations associated with the project prior to acquisition and development.

Management of proceeds

Alignment  CHMA's social bond transaction aligns with this component of the SBP.

CMHA commits to tracking the allocation and management of proceeds to ensure that all proceeds from the issuance are allocated to the Sinclair Family Apartments Project. CMHA also specifies how it will temporarily manage any unallocated proceeds.

Reporting

Alignment  CHMA's social bond transaction aligns with this component of the SBP.


Score Not aligned Satisfactory **Strong** Advanced

CMHA is committed to annual continual disclosure requirements that include financial audits, project revenue and expense reports, and reporting on the project's subsidized rents. In addition, CMHA is committed to tracking and reporting the outcomes from the social services provided at the project.

Social Bond Transaction Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 CHMA's social bond transaction aligns with this component of the SBP.

Commitments score

Not aligned

Satisfactory

Strong

Advanced


We consider CHMA's overall use of proceeds commitments to be strong.

The bond offering documents clearly identify the affordable housing project being developed by CMHA. The proceeds from the bond issuance will be used to finance the Sinclair Family Apartments Project. The project will consist of three four-story buildings and a total of 180 one-, two-, three-, and four-bedroom units that will serve residents at a variety of income levels--30%, 50%, 60%, and 70% of the area median income. This project will provide homes for the many families in Columbus who cannot afford high-quality rental options. In addition, CMHA will assign service coordinators to resident families to help them access supportive essential services such as education, health care, and employment.

We believe this social project aligns with the project categories of affordable housing and socioeconomic advancement and empowerment, identified by the SBP.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 CHMA's social bond transaction aligns with this component of the SBP.

Commitments score

Not aligned

Satisfactory

Strong

Advanced

We consider CHMA's overall process for project selection and evaluation commitments to be strong.


The process for project evaluation and selection of CMHA's affordable housing projects are guided by the requirements of HUD and the Low-Income Housing Tax Credit (LIHTC) program. All projects are also consistent with CMHA's five-year and annual plans submitted to HUD. These plans typically include a detailed market study to identify the primary market area of proposed projects, assessments of the economic and demographic elements, and reports determining the penetration and capture rate for proposed projects.

The project selection and evaluation committee at CMHA presents potential affordable housing projects to the CEO for consideration. The evaluation includes detailed information on the project, rationale, deal structure, sensitivities, risks, and mitigants, among others. An environmental evaluation of project sites identifies existing environmental conditions or contamination that could pose a risk to residents. Once the CEO approves the plans, CMHA's Board approves or rejects the projects.

To secure funding from HUD, CMHA must maintain quality housing for its residents. CMHA must comply with HUD's Housing Quality Standards, and it is subject to scheduled physical Real Estate Assessment Center (REAC) assessments from HUD. Additionally, to secure its allocated LIHTC tax credits, CMHA must commit to keeping project rents affordable for at least 30 years and comply with industry green standards such as Energy Star, Enterprise Green Communities, and Leadership in Energy and Environmental Design (LEED).

Management of proceeds


The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 CHMA's social bond transaction aligns with this component of the SBP.

The Sinclair Family Apartments Project is the sole eligible project that will receive bond proceeds. CMHA commits to tracking the allocation of bond proceeds by maintaining separate accounts and schedules in its financial audit. CMHA also commits to investing any unallocated proceeds in only authorized investments, which include direct obligations of the U.S. and 'AAA'-rated money market securities.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 CHMA's social bond transaction aligns with this component of the SBP.

Disclosure score

Not aligned

Satisfactory

Strong

Advanced

We consider CHMA's overall reporting practices to be strong.

CMHA commits to annually reporting on the allocation of proceeds until full allocation. CMHA must submit annual reports to the Ohio Housing Finance Agency and the IRS, as well as annual continual disclosure requirements to HUD. Additionally, CMHA must meet statutory reporting requirements to comply with the LIHTC program.

CMHA tracks and reports on a quarterly basis the social outcomes of the services provided at the project using an integrated social service tracking software solution. These include quantitative and qualitative key performance indicators to calculate social outcomes related to economic empowerment (e.g., percent of employed residents), educational advancement (e.g., number of preschool-age children enrolled in early education programs), health and wellness (e.g., percent of residents with a primary care physician), character and leadership (e.g., number of community events held), housing stability (e.g., number of lease violations resolved), and other general factors. Reports will be tracked and reviewed by CMHA's Resident Initiatives team.

However, in our view, some of the impact metrics that rely on counting could be more advanced.

Second Party Opinion

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